



Arnold Schwarzenegger
Governor

October 26, 2010
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Mr. Ernest M. Roberts, Executive Director
Playa Vista Job Opportunities and Business Services
4112 South Main Street
Los Angeles, CA 90037

Dear Mr. Roberts:

AMERICAN RECOVERY AND REINVESTMENT ACT
15-PERCENT PROJECT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the Playa Vista Job Opportunities and Business Service's (PVJOBS) administration of its American Recovery and Reinvestment Act of 2009 (ARRA) and Workforce Investment Act (WIA) Construction Talent Transfer (CTT) Project. This review was conducted by Ms. Cynthia Parsell, Ms. Louise Moreno, and Mr. Dale Kunesh from March 8, 2010 through March 16, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA and ARRA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b) (1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by PVJOBS with applicable federal and state laws, regulations, policies, and directives related to the WIA and ARRA grant regarding program operations, financial management, and procurement.

We collected the information for this report through interviews with PVJOBS representatives and ARRA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the ARRA CTT Project; a

review of PVJOBS' response to Sections I and II of the Program On-Site Monitoring Guide; applicable policies and procedures; and a review of documentation retained by PVJOBS for a sample of expenditures and procurements.

We received your responses to our draft report on August 18, 2010, August 27, 2010, and October 22, 2010 and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed findings 1 and 5 cited in the draft report, no further action is required and we consider the issues resolved.

Additionally, because your response adequately addressed findings 2 and 6 cited in the draft report, no further action is required at this time. However, these issues will remain open until we verify the implementation of your stated corrective action plans during a future on-site review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10143 and 10147.

Finally, because your response did not adequately address findings 3 and 4 cited in the draft report, we consider these findings unresolved. We request that PVJOBS provide the Compliance Review Office (CRO) with additional information and corrective action plan (CAP) to resolve the issues that led to the findings. As a result, these findings remain open and have been assigned CATS numbers 10144 and 10145.

BACKGROUND

The PVJOBS was awarded \$450,000 to operate an ARRA CTT Project and serve 104 ARRA participants from June 30, 2009 through March 31, 2011. For the period ending January 2010, PVJOBS' reported that it spent \$183,250 and enrolled 32 participants. We reviewed case files for 29 of the 32 participants enrolled in the ARRA project as of March 10, 2010.

PROGRAM REVIEW RESULTS

While we concluded that, overall, PVJOBS is meeting applicable WIA and ARRA requirements concerning grant program administration, we noted instances of noncompliance in the following areas: enrollment and registration, program eligibility, and right-to-work and selective service status. The findings that we identified in these areas, our recommendations, and PVJOBS' proposed resolution of the findings are specified below.

FINDING 1

Requirement: 20 CFR Section 663.105(b) states, in part, adults and dislocated workers who receive services funded under Title I other than self-service or informational activities must be registered and determined eligible.

20 CFR Section 663.805(a) states, in part, that supportive service may only be provided to individuals who are participating in core, intensive, or training services.

Observation: We observed that one participant was not enrolled or registered, but received supportive services in the amount of \$300 for union fees on October 8, 2009. The enrollment form in the case file shows the participant was enrolled in the program on October 9, 2009. These supportive services were determined to be received prior to enrollment.

Recommendation: We recommended that PVJOBS provide documentation to CRO verifying the aforementioned individual was a participant when the supportive services benefit was received. If PVJOBS is unable to substantiate the individual was a WIA/ARRA participant at the time the supportive service was provided, then we recommended PVJOBS provide a CAP to CRO showing that the \$300 for union fees has been backed out of the WIA/ARRA grant and charged to a non-federal funding source.

PVJOBS Response: The PVJOBS stated the \$300 union fees for the participant was never charged to the CTT Project and provided documentation to indicate which community partner was charged.

State Conclusion: We consider this finding resolved.

FINDING 2

Requirement: 20 CFR Section 663.105(b) states, in part, registration is the process for collecting information to support a determination of eligibility.

WIA Directive (WIAD) 04-18 Eligibility Technical Assistance Guide, states, in part, the documentation of an individual's right-to-work must be in compliance with Title 8 CFR 274a.2. Right-to-work requirements, documents, and procedures are published as

the Immigration and Naturalization Service (INS) Form I-9. The I-9 provides a sample of Form OA-702, Social Security Card, which states on the back of the card that the card is invalid if not signed by the number holder.

Observation: We observed that two participants did not meet the right-to-work criteria. One case file (participant enrolled November 5, 2009) only contained a receipt from the Social Security Administration requesting a duplicate card and the other case file (participant enrolled October 5, 2009) did not have the social security card signed by the participant.

Recommendation: We recommended that PVJOBS provide a copy of the social security cards to CRO and a CAP that states how PVJOBS will only accept signed social security cards.

PVJOBS Response: The PVJOBS provided copies of the signed social security cards for the above participants. Furthermore, a CAP was provided which indicates a review and approval process to ensure social security cards and selective service registration is maintained in the WIA files.

State Conclusion: The PVJOBS' corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, PVJOBS' successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10143.

FINDING 3

Requirement: WIA 189(h), 20 CFR Section 667.250, TEGL 8-98, and WIAD01-4 states, in part, that a determination of selective service registration status must be made prior to enrollment in WIA funded programs. All males who are at least 18 years of age and or born after December 31, 1959 and who are not in the armed services or on active duty must be registered for selective service. WIAD02-14 states, in part, that program operators must verify selective service registration.

Observation: We observed that case files for two male participants (ages 28 and 48) did not have proper documentation verifying selective service status.

Recommendation: We recommended that PVJOBS submit to CRO the acceptable documentation pertaining to the selective service registration for these participants.

PVJOBS Response: The PVJOBS stated that it is requesting that the Data Analysis Unit of Workforce Services Division delete the first participant's record from the JTA system.

The second participant was incarcerated during the period he could have been registered for selective service. The case was never entered into the JTA system and is no longer part of the files considered for inclusion.

State Conclusion: Based on PVJOBS' response, we cannot resolve this issue at this time. The PVJOBS provided a JTA roster which indicates the first participant's record was deleted from the JTA system. We consider this portion of the issue resolved.

We provided PVJOBS a participant summary with the issues noted (if any) next to each name. In PVJOBS' response to the draft monitoring report, it provided information on a different participant than the one we specified lacked selective service registration.

If PVJOBS cannot provide the selective service documentation, we recommend that PVJOBS provide CRO with documentation to show that the participant has been removed from the CTT Project and that all costs associated with this participant have been backed out of the ARRA grant and charged to a non-federal funding source. Until then, this issue remains open and has been assigned CATS number 10144.

FINANCIAL MANAGEMENT REVIEW RESULTS

We concluded that, overall, PVJOBS is meeting applicable WIA and ARRA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, PVJOBS is meeting applicable WIA and ARRA requirements concerning procurement, we noted instances of noncompliance in the following areas: cost and price analysis, sole source provisions, and debarment and

suspension. The findings that we identified in these areas, our recommendations, and PVJOBS' proposed resolution of the findings are specified below.

FINDING 4

Requirement:

29 CFR Section 95.43 states, in part, all procurement transactions shall be conducted in a manner to provide, to the maximum extent possible, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.

29 CFR Section 95.45 states, in part, some form of cost and price analysis shall be made and documented in the procurement files.

WIAD00-2 states, in part, the documentation for sole source procurements includes the reason for selecting the method, the justification for the selection, and the award document.

The PVJOBS procurement policies and procedures states, in part, that procurement under the sole source procurement method must be justified and one of the following reasons documented:

- The item is available from only one source;
- Public emergency or other urgent consideration precludes delay;
- Authorization from the awarding agency, and;
- Competition is determined inadequate.

Observation:

We reviewed the consultant fee contract with Global Community Enrichment for \$238.74 and determined the transaction did not include more than one price quote, nor did the records substantiate the reason for using the sole source method. Specifically, the documentation failed to prove that any of the sole source situations existed as required by the above-listed federal requirements and PVJOBS' written policies and procedures.

We also observed the transaction documentation for an IT Order Rack (\$3,233.45) and two Dell computer servers (\$9,582.42) did not document a cost or price analysis from an adequate number of qualified sources prior to the purchases.

Recommendation: We recommended that PVJOBS provide CRO documentation to substantiate the sole source procurement by Global Community Enrichment and a CAP to ensure that, in the future, all sole source procurement transactions are sufficiently documented to justify the reason for using this method.

We further recommended that PVJOBS submit a CAP ensuring that a cost or price analysis is conducted for all purchases and that PVJOBS adhere to its written procurement policies.

PVJOBS Response: The PVJOBS stated that the Global Community Enrichment procurement was in line with its fiscal policy. A copy of the procurement transaction was submitted to CRO along with the CAP reiterating the necessity for following the established procurement policies.

The PVJOBS stated that the Dell computers and server racks were purchased as part of the facilities renovation necessary to move into the new building it had purchased. Furthermore, an IT consultant was hired to construct and program the building's IT resources. Part of that contract was to procure the equipment necessary, with the understanding that actual payment for the equipment would be made by PVJOBS. It was the IT consultant's responsibility to compare prices, equipment functionality and purchase the appropriate equipment. However, because the process did not entail standard PVJOBS' procurement protocol and was done by the consultant, PVJOBS did not document the consultant's procurement process.

State Conclusion: Based on PVJOBS' response, we cannot resolve the issue at this time. The PVJOBS provided sufficient documentation to verify the competitive procurement of the Global Community Enrichment contract and a CAP to ensure future procurements are properly documented. The PVJOBS stated corrective action should be sufficient to resolve the portion of this issue as it relates to future procurements being properly documented; however, we cannot resolve this portion of the finding until we verify PVJOBS' successful implementation of its stated corrective action during a future on-site visit.

Although PVJOBS' response included a CAP to ensure its procurement policies and procedures are followed, its response

did not address the portion of the recommendation to require a cost or price analysis be conducted for all purchases.

Therefore, we again recommend that PVJOBS provide CRO with a CAP to ensure that a cost or price analysis be conducted for all purchases. Until then, this issue remains open and has been assigned CATS number 10145.

FINDING 5

Requirement:

29 CFR Section 95.44(a)(2) states, in part, where appropriate, an analysis should be made of lease and purchase alternatives to determine the most economical and practical procurement.

The Office of Management and Budget (OMB) Circular A-122 (A)(2), states, in part, costs must be adequately documented and reasonable. A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person.

WIAD03-9 states, in part, any property purchase (including software purchases) with a per unit cost of \$5,000 or more must complete the following steps prior to purchase: Complete a "Request for Approval to Charge WIA Funds for the Cost of Property" and submit the completed form to their designated Regional Advisor or Program Manager.

WIAD03-10 states, in part, for a charge to be allowable to WIA, the cost must be necessary and reasonable for the performance of the award.

Observation:

There was no documentation to establish that PVJOBS had obtained prior written approval from EDD before purchasing the items listed below, nor was there documentation supporting the basis of the furniture costs:

- Dell – Computer server purchase of \$5,033.40.
- Crest Office Furniture (August 2009) – Furniture purchase has a contract price of \$52,545.36 with terms of \$1,180.00 per month for 60 months, totaling \$70,800.
- Crest Office Furniture (November 2009) – Furniture purchase has a contract price of \$52,837.70 with terms of \$1,188.84 per month for 60 months, totaling \$71,330.40.

In addition, there was no documentation of an analysis being conducted to determine which option, lease or purchase, was more appropriate in the purchasing of the furniture.

PVJOBS did not follow the above-listed mandated requirements for two furniture purchases from Crest Office Furniture. In addition, we also observed that the monthly payment for the furniture was charged entirely to the WIA/ARRA grant. However, based on our review of the timesheets for the 8.5 employees that charge time to the grant, we noted that these employees work on other programs as well. As a result, it appears that PVJOBS is charging the entire cost of the furniture to the WIA/ARRA when the records document that WIA/ARRA does not receive 100 percent of the benefits.

Recommendation: We recommended that PVJOBS provide CRO a written approval from EDD authorizing the purchase of the Dell computer server and the office furniture, as listed above. We also recommended that PVJOBS provide CRO with documentation to show that it was necessary and reasonable to purchase furniture in excess of \$105,000 plus interest payments which brought the total amount to \$142,130.

In addition, we recommended that PVJOBS provide CRO with documentation that 100 percent of the monthly payment for the furniture costs is allocable to WIA/ARRA when it appears that these costs benefit other programs.

PVJOBS Response: The PVJOBS stated the furniture costs were intended to be capitalized and paid with its discretionary dollars only. In April 2010, PVJOBS received advice from its auditor as to how to book and capitalize the furniture expenses. As a result, several transactions were made in the general ledger to correct the first quarter of 2010 and a copy of the July 31, 2010 general ledger was submitted to CRO. Because no grant funds were intended to purchase the furniture mentioned above, no authorization from EDD was required.

In addition, PVJOBS provided supporting documentation regarding the issue with the Dell Server purchase. The PVJOBS submitted a copy of its journal entry crediting the ARRA grant and

debiting its discretionary funds to remove this charge from the CTT Project.

State Conclusion: We consider this finding resolved

FINDING 6

Requirement: 20 CFR Section 667.200(d), states, in part, that all WIA Title I grant recipients and subrecipients must comply with the government-wide requirements for debarment and suspension.

29 CFR Section 95.13 states, in part, recipients shall comply with the nonprocurement debarment suspension common rule. This common rule restricts subawards and contracts with certain parties that are debarred, suspended or otherwise excluded from, or ineligible for, participation in Federal assistance programs or activities.

29 CFR Section 95.48, Appendix A states, in part, that all contracts, including small purchases awarded by recipients and their contractors, shall contain the procurement provisions for compliance with Equal Employment Opportunity provisions.

Observation: We reviewed documentation related to the contract awarded to Global Enrichment Services. There was no evidence provided that verified the contractor was not debarred or suspended, nor was there evidence of compliance with Equal Employment Opportunity provisions.

Recommendation: We recommended that PVJOBS submit a CAP stating how it will ensure future contracts contain the required language cited above and provide a copy to CRO. We also recommended that PVJOBS submit a CAP to CRO ensuring all potential vendors are checked for debarment and suspension.

PVJOBS Response: The PVJOBS provided a CAP that adds a section to its fiscal policies which included a requirement to search the excluded parties' list systems (www.epls.gov) to verify that potential contractors are not excluded from working on federal contracts.

State Conclusion: The PVJOBS' corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future on-site visit, PVJOBS' successful implementation of its

stated corrective action. Until then, this issue remains open and has been assigned CATS number 10147.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than November 22, 2010. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-7756.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is PVJOBS' responsibility to ensure that its systems, programs, and related activities comply with the WIA and ARRA related federal regulations, and applicable state directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain PVJOBS' responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Jim Bickhart, Board of Directors President
Teri Brimacombe, MIC 50
Georganne Pintar, MIC 50